

## CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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Yugoslav Foreign Relations

- President Tito is striving to gain a position of international balance between East and West in order to maintain his power and relative independence in the world struggle between the two blocs. He bases this third force policy on the assumption that the death of Stalin reduced the urgency or the need to take a definitive stand in either camp. By gaining a position of relative freedom of maneuver between the two great poles of world power, partly accomplished by the acceptance of "normalization of relations" with the Soviet Bloc, Tito hopes to gain a better bargaining position vis-a-vis the West. Tito continues to recognize the continued dependence of Yugoslavia on Western assistance and intends to use the threat of closer relations with the East, particularly the establishment of economic ties, as one tool in his kit of pressure on the West to maintain a steady stream of economic and military assistance without conditions. Tito would not seriously consider a trip back into the Cominform fold under present circumstances. However, in the event of Tito's demise, a strong pro-Cominform group in the Party, the Federation of Communists of Yugoslavia (FCY), would probably assume power in Yugoslavia.

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2. Since the establishment of more normal relations with the Soviet Bloc, there has been a rebirth of pan-Slavism among many Serbs in the Party. They are once again expressing the view that some form of Balkan Federation under Yugoslav domination is not only desirable but more feasible since the advent of the "new deal" in Moscow.
3. Among high-ranking members of the Yugoslav Army the feeling is spreading that the possibility of a major East - West conflict is more remote, and that even if war should come there is little incentive to fight with the West unless strong Western support is immediately forthcoming or evident at the time of attack against Yugoslavia. Many officers feel that Stalin's death considerably lessened the chances of war and weakened the arguments for continued dependence upon the West. In general, there is little loyalty or sympathy for the West in the minds of most high-ranking officers. For example, top military leaders often express their antagonism and contempt for the West, particularly for the United States. The Yugoslav Chief of Staff, Peko Dapcevic, returned from his visit to the United States in 1953 with violent criticism of the treatment accorded him during his stay in Washington and marked antipathy toward the West. This feeling of contempt is shared by other leaders of the regime. They lack confidence in American foreign policy and regard it with more contempt than respect or fear. This estimate springs in part from their belief that the American body politic is torn with internecine strife.
4. Yugoslav youth is still being taught to hate the "decadent capitalist West". They are trained to despise Americans. It is told that the United States offers assistance only as a means of gaining control, and that it is being accepted only because it contributed toward the inevitable triumph of Communism. The Tito regime is aware of the importance of winning over the youth and has assigned some of its best Party people to work with the youth.
5. In general, the non-communist populace is disillusioned with the failure of the West to insist on radical changes in the Yugoslav regime. Contempt for Western policy failures to coerce Tito is spreading from the Party to the general populace.
6. Although the ranks of the Yugoslav State Security Service , UDB, have been reduced and their methods modified, their influence is still all-pervasive. The continuation of adverse economic circumstances and the depletion of savings have forced more and more of the people into passive, if not active, collaboration with the UDB.

Internal Party Situation

7. Because of the large number of anti-Western, pro-Soviet members in the Party, Tito does not feel secure. With the possible exception of Vladimir Bakaric, leader of the Party in Croatia, Tito's principal lieutenants are strong adherents of the precepts of world communism and consequently extremely anti-Western. They cannot be trusted as allies under any circumstances short of the complete destruction of Soviet communism.
8. Milentije Popovic, former Minister of Finance and prominent member of the Party's Central Committee, is one of the more active opponents of any further liberalization of the Party or the Government. He thinks that Aleksandar Rankovic is too soft toward those who favor a relaxation of rigid one-party rule and contends that more attention should be given to the needs and morale of old-line, orthodox Communists in the Party. Popovic strongly opposed the Djilas articles calling for Party reforms. He interprets such proposals as direct threats to the loyalty of the Partisans to Yugoslav communism.
9. Leaders of the Croatian branch of the FCY were generally sympathetic to Djilas' proposals for Party reforms. Vladimir Bakaric is well-known for his comparatively liberal leanings, and with Djilas composed the only element in the Party's inner circle during the past year which could in any sense be viewed as relatively unorthodox. Croatian leaders were aware of the premature nature of the

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Djilas proposals and realized that the final decision rested with Tito. They were quick to reverse their partially subdued enthusiasm for Djilas once the Party line against Djilas became apparent.

10. The health of Vladimir Bakaric is extremely bad; there is small hope for his recovery from a serious case of tuberculosis. Moreover, the purge of Djilas and the thorough refutation of his theses have doubtlessly reduced his status in the Party hierarchy.

The Yugoslav Economic Situation

11. Decentralization of the Yugoslav economy has produced near anarchy and cut-throat competition between enterprises. Confusion and inefficiency are greater today than in 1948. Each firm strives by any means available to gain a position of monopoly over its republic or geographical unit by gaining the exclusive representation of some well-known foreign export house. For example, various Yugoslav firms exerted considerable pressure in the form of price concessions and outright blackmail on foreign representatives in order to secure an exclusive contract from the West German optical firm, Carl Zeiss. No holds are barred in attempts to discredit competitors and to show profits. This results in unbelievable cases of wire-pulling in Belgrade, cancelled contracts and various other uneconomic practices.
12. Expediency, corruption and fraud, in the pursuit of personal gain, hold sway in the foreign trade field. Non-communist, prewar experts in the field of foreign trade are generally given much responsibility but little incentive in the way of pay or privileges for their talents. Consequently, they usually make as much on the side as possible. The top officials in most of the foreign trade firms are former UDB functionaries with little professional skill but many contacts in various governmental control units, e.g. the National Bank. The end result of this situation is lack of purpose and direction and reduced economic efficiency.
13. The regime is coming to the realization that the economy cannot afford these excesses and requires closer control. There are signs that the regime is taking corrective measures; for example, the number of chemical firms allowed to import foreign products has been reduced from 26 to 6 during the past year.

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